

**The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.**





**MONTANA WILDERNESS  
ASSOCIATION**

**FINANCIAL REPORT**

**September 30, 2013 and 2012**



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## INDEPENDENT AUDITOR'S REPORT

Board of Council Members  
Montana Wilderness Association  
Helena, Montana

We have audited the accompanying financial statements of Montana Wilderness Association, (the Organization) which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Wilderness Association as of September 30, 2013, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**2012 Financial Statements**

The financial statements of Montana Wilderness Association as of September 30, 2012, were audited by other auditors whose report dated February 1, 2013, expressed an unmodified opinion on those statements.



Helena, Montana  
January 28, 2014

FINANCIAL STATEMENTS

MONTANA WILDERNESS ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 648,910	\$ 580,026
Receivables	-	4,288
Inventory	<u>6,649</u>	<u>5,998</u>
Total current assets	<u>655,559</u>	<u>590,312</u>
 <b>INVESTMENTS IN CERTIFICATES OF DEPOSIT, BOARD DESIGNATED</b>		
	<u>200,029</u>	<u>200,000</u>
 <b>LONG-TERM INVESTMENTS</b>		
Endowment funds	606,227	539,923
Montana Community Foundation	155,887	145,563
Council designated	<u>1,564,398</u>	<u>1,647,642</u>
Total long-term investments	<u>2,326,512</u>	<u>2,333,128</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Land	84,000	-
Construction in progress	1,922	-
Building	622,518	-
Furniture and equipment	<u>51,060</u>	<u>42,240</u>
Total property and equipment	759,500	42,240
Less: accumulated depreciation	<u>(34,513)</u>	<u>(24,283)</u>
Total property and equipment	<u>724,987</u>	<u>17,957</u>
 <b>OTHER ASSETS</b>		
Unemployment insurance reserve	24,962	23,812
Security deposits	<u>1,370</u>	<u>1,370</u>
Total other assets	<u>26,332</u>	<u>25,182</u>
Total assets	<u>\$ 3,933,419</u>	<u>\$ 3,166,579</u>

The Notes to Financial Statements are an integral part of these statements.

	<u>2013</u>	<u>2012</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 43,821	\$ 41,252
Accrued property taxes	3,921	-
Accrued vacation	34,706	24,650
Accrued payroll liabilities	22,038	12,481
Note payable, current portion	<u>17,907</u>	<u>-</u>
Total current liabilities	<u>122,393</u>	<u>78,383</u>
LONG-TERM LIABILITIES		
Note payable, net of current portion	<u>501,800</u>	<u>-</u>
Total liabilities	<u>624,193</u>	<u>78,383</u>
NET ASSETS		
Unrestricted:		
Undesignated	956,100	626,678
Board designated:		
Council designated funds	<u>1,564,398</u>	<u>1,647,642</u>
Total unrestricted	2,520,498	2,274,320
Temporarily restricted	198,854	234,847
Permanently restricted	<u>589,874</u>	<u>579,029</u>
Total net assets	<u>3,309,226</u>	<u>3,088,196</u>
Total liabilities and net assets	<u>\$ 3,933,419</u>	<u>\$ 3,166,579</u>

The Notes to Financial Statements are an integral part of these statements.



MONTANA WILDERNESS ASSOCIATION  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2013

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Unrestricted	Board Designated			
<b>SUPPORT AND REVENUE</b>					
Membership dues	\$ 95,521	\$ -	\$ -	\$ -	\$ 95,521
Gifts	228,387	-	160,522	10,845	399,754
Grants	634,041	-	236,530	-	870,571
Investment income	1,536	167,756	77,440	-	246,732
Convention fees and special events	23,354	-	-	-	23,354
Merchandise sales, net of cost of goods sold of \$2,368	7,175	-	-	-	7,175
Miscellaneous receipts	5,757	-	-	-	5,757
In-kind donations	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	1,005,771	167,756	474,492	10,845	1,658,864
Net assets released from restrictions	<u>510,485</u>	<u>-</u>	<u>(510,485)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,516,256</u>	<u>167,756</u>	<u>(35,993)</u>	<u>10,845</u>	<u>1,658,864</u>
<b>EXPENSES</b>					
Program services	1,128,752	-	-	-	1,128,752
Management and general	153,603	-	-	-	153,603
Fundraising	<u>155,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,479</u>
Total expenses	<u>1,437,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,437,834</u>
Changes in net assets	78,422	167,756	(35,993)	10,845	221,030
Net assets at beginning of year	<u>626,678</u>	<u>1,647,642</u>	<u>234,847</u>	<u>579,029</u>	<u>3,088,196</u>
Endowment appropriation for building acquisition	<u>251,000</u>	<u>(251,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 956,100</u>	<u>\$ 1,564,398</u>	<u>\$ 198,854</u>	<u>\$ 589,874</u>	<u>\$ 3,309,226</u>

The Notes to Financial Statements are an integral part of these statements.

MONTANA WILDERNESS ASSOCIATION  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2012

	Unrestricted			Total	
	Unrestricted	Board Designated	Temporarily Restricted		Permanently Restricted
<b>SUPPORT AND REVENUE</b>					
Membership dues	\$ 115,961	\$ -	\$ -	\$ -	\$ 115,961
Gifts	206,932	-	125,310	10,000	342,242
Grants	425,500	-	365,240	-	790,740
Investment income	6,848	265,069	80,023	-	351,940
Convention fees and special events	32,971	-	-	-	32,971
Merchandise sales, net of cost of goods sold of \$4,478	70,256	-	-	-	70,256
Miscellaneous receipts	5,398	-	-	-	5,398
In-kind donations	<u>8,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,300</u>
	872,166	265,069	570,573	10,000	1,717,808
Net assets released from restrictions	<u>365,161</u>	<u>-</u>	<u>(365,161)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,237,327</u>	<u>265,069</u>	<u>205,412</u>	<u>10,000</u>	<u>1,717,808</u>
<b>EXPENSES</b>					
Program services	1,037,673	-	-	-	1,037,673
Management and general	132,849	-	-	-	132,849
Fundraising	<u>115,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,176</u>
Total expenses	<u>1,285,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,285,698</u>
Changes in net assets	(48,371)	265,069	205,412	10,000	432,110
Net assets at beginning of year	<u>675,049</u>	<u>1,382,573</u>	<u>29,435</u>	<u>569,029</u>	<u>2,656,086</u>
Net assets at end of year	<u>\$ 626,678</u>	<u>\$ 1,647,642</u>	<u>\$ 234,847</u>	<u>\$ 579,029</u>	<u>\$ 3,088,196</u>

The Notes to Financial Statements are an integral part of these statements.

MONTANA WILDERNESS ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2013

EXPENSES	Program Services	Management and General	Fundraising	2013 Total
Awards and grants	\$ 21,594	\$ 74	\$ 85	\$ 21,753
Chapters	27,364	-	-	27,364
Communications	77,832	16,225	18,542	112,599
Conferences, conventions and meetings	8,153	2,283	2,609	13,045
Depreciation	-	10,230	-	10,230
Equipment purchase, rental and maintenance	9,556	1,619	1,849	13,024
Events	8,527	1,009	1,153	10,689
Insurance	5,354	1,499	1,713	8,566
Legal	2,595	616	704	3,915
Merchandise	1,912	535	612	3,059
Miscellaneous	3,957	139	159	4,255
Mortgage interest	-	7,326	-	7,326
Office supplies	59,455	6,850	7,828	74,133
Office rent	36,725	3,773	4,312	44,810
Postage and delivery	19,298	2,266	2,589	24,153
Professional fees	65,875	13,154	15,033	94,062
Salaries, taxes and benefits	686,463	78,825	90,086	855,374
Subscriptions, dues and fees	7,989	1,324	1,513	10,826
Telephone and internet	15,482	1,402	1,602	18,486
Training	2,165	370	422	2,957
Travel	68,456	4,084	4,668	77,208
Total expenses	<u>\$ 1,128,752</u>	<u>\$ 153,603</u>	<u>\$ 155,479</u>	<u>\$ 1,437,834</u>

The Notes to Financial Statements are an integral part of these statements.

MONTANA WILDERNESS ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2012

EXPENSES	Program Services	Management and General	Fundraising	2012 Total
Awards and grants	\$ 63,480	\$ -	\$ -	\$ 63,480
Chapters	-	-	-	-
Communications	77,300	624	8,320	86,244
Conferences, conventions and meetings	30,531	-	-	30,531
Depreciation	-	4,400	-	4,400
Equipment purchase, rental and maintenance	16,065	1,092	1,589	18,746
Events	25,896	-	6,536	32,432
Insurance	4,048	714	-	4,762
Legal	1,092	-	-	1,092
Member recruitment	23,203	-	-	23,203
Merchandise	1,329	-	-	1,329
Miscellaneous	8,501	-	-	8,501
Office supplies	16,998	3,594	1,714	22,306
Office rent	45,287	5,382	3,588	54,257
Postage and delivery	16,328	1,689	3,605	21,622
Professional fees	71,776	26,076	15,905	113,757
Salaries, taxes and benefits	543,704	81,692	58,177	683,573
Subscriptions, dues and fees	1,103	2,194	8,086	11,383
Telephone and internet	13,054	2,512	753	16,319
Training	4,114	862	2,685	7,661
Travel	<u>73,864</u>	<u>2,018</u>	<u>4,218</u>	<u>80,100</u>
Total expenses	<u>\$ 1,037,673</u>	<u>\$ 132,849</u>	<u>\$ 115,176</u>	<u>\$ 1,285,698</u>

The Notes to Financial Statements are an integral part of these statements.

MONTANA WILDERNESS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 221,030	\$ 432,110
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	10,230	4,400
Realized and unrealized (gain) on investments	(201,387)	(289,687)
Permanently restricted contribution	(10,845)	(10,000)
Changes in operating assets and liabilities:		
Accounts receivable	4,288	(4,058)
Inventory	(651)	(788)
Unemployment insurance reserve	(1,150)	(2,620)
Accounts payable	2,569	27,448
Accrued payroll liabilities	9,557	(4,574)
Accrued property taxes	3,921	-
Accrued vacation liability	<u>10,056</u>	<u>4,123</u>
Net cash flows from operating activities	<u>47,618</u>	<u>156,354</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investment securities	352,033	815,587
Purchase of investment securities	(144,059)	(725,493)
Purchase of property and equipment	<u>(192,260)</u>	<u>(11,976)</u>
Net cash flows from investing activities	<u>15,714</u>	<u>78,118</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgage principal payments	(5,293)	-
Contributions to permanently restricted funds	<u>10,845</u>	<u>10,000</u>
Net cash flows from financing activities	<u>5,552</u>	<u>10,000</u>
Net change in cash and cash equivalents	68,884	244,472
Cash and cash equivalents, beginning of year	<u>580,026</u>	<u>335,554</u>
Cash and cash equivalents, end of year	<u>\$ 648,910</u>	<u>\$ 580,026</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 7,326</u>	<u>\$ -</u>
Building acquisition financed through mortgage	<u>\$ 525,000</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013 and 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Montana Wilderness Association (the Association) is a Montana non-profit organization dedicated to the preservation of Montana wilderness, and the enhancement of the biological, cultural and economic values the Montana lands hold. The Association has six “chapters” and six offices organized to serve the unique characteristics of Montana’s geographical areas. The Association achieves its goals largely through grants and membership support.

**Basis of Presentation**

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to non-profit organizations, as codified by the Financial Accounting Standards Board. Revenue is recognized when earned and expenses are recognized when incurred.

**Classification of Net Assets**

As required by GAAP, the accompanying financial statements have been prepared to focus on the Association as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into the following classes of net assets:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations and donor restricted contributions whose restrictions are met in the same reporting period.

*Board Designated Net Assets* - Net assets that are set aside for future use, under restrictions subject to Council approval. At September 30, 2013 and 2012, net assets in the amount of \$1,564,398 and \$1,647,642, respectively, were set aside in an endowment fund created to fund Council approved projects. During the fiscal year ended September 30, 2013, the Council approved use of funds in the amount of \$251,000 for building acquisition and program expenditures.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association, but permit the Association to use all or part of the income earned and capital gains, if any, from the investment assets as support for general or specific purposes, unless otherwise specified by the donor.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Net Assets (Continued)**

Revenues are reported as increases in unrestricted net assets unless limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give that are scheduled to be received after the balance sheet date are shown as increases to temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional grants and promises to give are not recognized until the conditions on which they depend are substantially met. At September 30, 2013, the Association had been awarded conditional grants of \$50,000 for programs planned for the next fiscal year. Contributed marketable securities and other noncash contributions are recorded as contributions at their estimated fair values at the date of contribution.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all checking, savings, money market and non-endowed investment instruments purchased with an original maturity date of three months or less to be cash and cash equivalents.

Effective January 1, 2013, the coverage for non-interest bearing accounts reverted to \$250,000. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. The Association maintains cash balances at several financial institutions located in Montana. These balances are insured up to FDIC limits as provided by law. As of September 30, 2013, the uninsured portion of this balance was \$15,212. There were no uninsured balances at September 30, 2012.

The Board maintains cash, certificates of deposit and investments held in accounts established for use at its discretion.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents (Continued)**

The Association maintains designated checking and savings accounts on behalf of its fiscal sponsors, its chapters and for certain funds at the request of the grantor.

**Accounts Receivable**

Receivables are stated at unpaid balances, and management considers all receivables to be fully collectible. Uncollectible amounts are written-off directly based on specifically identified accounts if management determines the balance to be uncollectible.

**Inventory**

Inventory consists primarily of supplies and merchandise used for the annual meeting and other fundraising events and is stated at the lower of cost or market using the first-in first-out method.

**Investments**

In accordance with GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Property and Equipment**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the Association's assets (building and office and computer equipment) vary from 5 to 39 years. Assets with an estimated useful life exceeding one year and cost, if purchased, or fair value, if donated, of at least \$500 are capitalized.

**Donated Services**

Donated services are recognized as contributions in accordance with GAAP if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

**Vacation Leave**

All regular full-time employees accrue vacation leave on a monthly basis at the rate of sixteen days per year for the first three years of employment. After three years, the annual accrual rate is nineteen days per year. After four years of employment, the accrual rate is twenty-four days per year. Accrued unused vacation leave shall be paid only upon termination.

**Income Taxes**

The Association is exempt from income taxes under the provision of §501(c)(3) of the U.S. Internal Revenue Code from payment of taxes on income derived from activities relating to its exempt purposes and classified by the IRS as other than a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.



MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The Association is generally no longer subject to examination by federal tax authorities for years before 2010.

**Programs**

The Association focuses its efforts on four main programs: (a) Quiet Trails – community-based education and organizing efforts to protect underdeveloped public land from road construction and motorized recreation; (b) Wilderness Designation – to educate and mobilize citizens to protect public lands in Montana from resource development, road construction and motorized use so they can be preserved as wilderness; (c) Beaverhead-Deerlodge – collaborative work with nontraditional partners, engaging in community-based regional efforts to educate and mobilize citizens to support a plan in western Montana to protect public lands for wilderness, improve forest health and repair damaged watersheds; and (d) Rocky Mountain Front – community-based efforts to conserve the unique landscape of Montana’s Rocky Mountain Front.

**Advertising**

Advertising costs are expensed as incurred. Advertising expenses were \$12,893 and \$6,314 for the years ended September 30, 2013 and 2012, respectively.

**Functional Expenses**

The Association allocates its expenses on a functional basis among its various programs and offices. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. All others are allocated based on rates determined by the Board of Directors during the budgeting process. This process has changed from the prior year.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassification has no impact on previously reported net assets or changes in net assets.

**Subsequent Events**

Management has evaluated subsequent events through January 28, 2014, the date which the financial statements were issued.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 2. INVESTMENTS**

Investments are carried at fair value, and realized and unrealized losses are reflected in the statement of activities. The components of investments at September 30 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Net Unrealized Gain/(Loss)</u>
<u>2013:</u>			
Long-term investments			
Mutual funds	\$ 2,170,625	\$ 1,949,785	\$ 220,840
Other	<u>155,887</u>	<u>100,938</u>	<u>54,949</u>
Total long-term investments	<u>\$ 2,326,512</u>	<u>\$ 2,050,723</u>	<u>\$ 275,789</u>
<u>2012:</u>			
Long-term investments			
Mutual funds	\$ 2,187,565	\$ 2,002,170	\$ 185,395
Other	<u>145,563</u>	<u>95,508</u>	<u>50,055</u>
Total long-term investments	<u>\$ 2,333,128</u>	<u>\$ 2,097,678</u>	<u>\$ 235,450</u>

Expenses related to investment revenues, including investment advisory fees, amounted to \$13,443 and \$12,518 for 2013 and 2012, respectively, and have been netted against investment revenues in the accompanying statement of activities.

The following summarizes the investment return and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>2013:</u>			
Realized gains	\$ 5,608	\$ 8,383	\$ 13,991
Unrealized gains	<u>130,512</u>	<u>56,884</u>	<u>187,396</u>
Total gains	136,120	65,267	201,387
Dividends and interest, net of fees	<u>33,172</u>	<u>12,173</u>	<u>45,345</u>
Total investment return	<u>\$ 169,292</u>	<u>\$ 77,440</u>	<u>\$ 246,732</u>
<u>2012:</u>			
Realized gains	\$ 4,425	\$ 3,190	\$ 7,615
Unrealized gains	<u>221,001</u>	<u>61,071</u>	<u>282,072</u>
Total gains	225,426	64,261	289,687
Dividends and interest, net of fees	<u>46,491</u>	<u>15,762</u>	<u>62,253</u>
Total investment return	<u>\$ 271,917</u>	<u>\$ 80,023</u>	<u>\$ 351,940</u>

Temporarily restricted total investment return includes \$15,981 and \$18,191 earnings on investments held at the Montana Community Foundation for the years ended September 30, 2013 and 2012, respectively, as more fully described in Note 4.

MONTANA WILDERNESS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2013 and 2012

**NOTE 3. CASH AND CASH EQUIVALENTS**

The Association maintains funds designated for specific uses. Below is the reconciliation of all sources of cash and cash equivalents at September 30:

	<u>2013</u>	<u>2012</u>
Fiscal sponsor funds	\$ 20,019	\$ 20,688
Chapter	71,489	69,053
Council	357,044	150,552
Continental Divide Trail Montana	<u>35,132</u>	<u>15,106</u>
Total designated	483,684	255,399
Operating	<u>165,226</u>	<u>324,627</u>
Total cash and cash equivalents	<u>\$ 648,910</u>	<u>\$ 580,026</u>

**NOTE 4. MONTANA COMMUNITY FOUNDATION**

Two funds have been established at the Montana Community Foundation (MCF) on behalf of the Association. The first has been established to receive endowment contributions from donors who have designated the Association as the beneficiary. In accordance with GAAP, these assets are not included in the Association's Statement of Financial Position. The earnings on the endowment fund held at the MCF are paid to the beneficiary, namely the Association, at the discretion of the MCF's Board of Directors. Earnings distributed by MCF to the Association are recorded as contributions in the year of receipt. The total fair market value of the endowment account that is not included in the Association's Statement of Financial Position is \$136,267 and \$104,777 as of September 30, 2013 and 2012, respectively.

A separate account has been established by the Association to hold and manage funds which it has provided with itself specified as the beneficiary. In accordance with GAAP, these assets are reported in the Association's statement of financial position. The terms of the agreement with MCF state that the Association will receive distributions of investment earnings.

**NOTE 5. FISCAL SPONSORSHIP**

The Association acts as a fiscal sponsor for education, research and advocacy projects as a service to individuals and organizations located in Montana that do not have 501(c)3 status with the Internal Revenue Service. These project sponsors must have goals that conform with the mission of the Association. As of September 30, 2013 and 2012, the groups included the Clancy-Unionville Task Force, Friends of the Rocky Mountain Front and the Rocky Mountain Front Photo Project.

MONTANA WILDERNESS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2013 and 2012

**NOTE 6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Clancy-Unionville Task Force*	\$ 11,582	\$ 11,582
Friends of the Rocky Mountain Front*	3,697	4,368
Rocky Mountain Front Photo Project*	2,476	2,476
Roadless Lands	7,257	7,257
Beaverhead-Deer Lodge Project	-	86,382
Wilderness Walks	1,602	-
Other programs	-	16,325
Dividends, interest and gains on permanently restricted investment assets not yet appropriated	<u>172,240</u>	<u>106,457</u>
	<u>\$ 198,854</u>	<u>\$ 234,847</u>

\* The Association acts as a fiscal sponsor for these funds.

Net assets were released from donor-restrictions by incurring expenses satisfying the restricted purposes or by expiration of time.

	<u>2013</u>	<u>2012</u>
Clancy-Unionville Task Force	\$ 671	\$ 134
Friends of the Rocky Mountain Front	-	848
Roadless Lands	-	2,770
Beaverhead-Deer Lodge Project	131,382	64,611
Quiet Trails	108,250	75,600
Rocky Mountain Front	86,910	46,024
Wilderness Designation	110,494	151,060
Wilderness Walks	14,803	8,820
Other	<u>57,975</u>	<u>15,294</u>
	<u>\$ 510,485</u>	<u>\$ 365,161</u>

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 7. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
<b>Managed Permanent Account</b>		
This donor-established fund holds annuities received by the Association. Fund earnings are available to support the general activities of the Association.	\$ 47,219	\$ 47,219
<b>Salera Endowment Fund</b>		
This fund was established to support the mission of the organization. Fund earnings are available to support the general activities of the Association.	85,500	85,500
<b>Forever Wild Endowment</b>		
This fund includes memorials and bequests received by the Association. Fund earnings are available to support the general activities of the Association.	<u>356,217</u>	<u>345,372</u>
<b>Total funds managed by the Association</b>	<u>488,936</u>	<u>478,091</u>
<b>Montana Community Foundation Forever Wild Endowment</b>		
This fund is managed by the Montana Community Foundation for the benefit of the Association. Fund earnings are available to support the general activities of the Association.	<u>100,938</u>	<u>100,938</u>
<b>Total permanently restricted net assets</b>	<u>\$ 589,874</u>	<u>\$ 579,029</u>

**NOTE 8. LEASES**

The Association leases office space under a number of operating leases. Total office rent expenses were \$46,350 and \$53,143 for the years ended September 30, 2013 and 2012, respectively. The majority of leases are month-to-month or for terms not exceeding one year.

The following is a schedule by year of the minimum future rental expense on non-cancelable operating leases as of September 30, 2013:

2014	\$ 14,930
2015	<u>175</u>
	<u>\$ 15,105</u>

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 9. FAIR VALUE MEASUREMENTS**

In accordance with GAAP, the framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under GAAP are described as follows:

**Basis of Fair Value Measurement**

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access;

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the assets or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Association's policy for determining the timing of significant transfers between levels 1, 2, and 3 is at the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2013 and 2012.

*Mutual funds:* Valued at the net asset value (NAV). The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares held by the fund at year end. The NAV is quoted in an active market.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 9. FAIR VALUE MEASUREMENTS (CONTINUED)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, the Association's investments at fair value as of September 30, 2013 and 2012:

	Fair Value Measurements as of September 30, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds				
Foreign large blend	\$ 388,867	\$ -	\$ -	\$ 388,867
Large blend	973,453	-	-	973,453
Corporate bond	195,187	-	-	195,187
Intermediate-term bond	324,002	-	-	324,002
Short-term bond	128,451	-	-	128,451
World bond	160,665	-	-	160,665
Other				
Montana Community Foundation	-	155,887	-	155,887
	<u>\$ 2,170,625</u>	<u>\$ 155,887</u>	<u>\$ -</u>	<u>\$ 2,326,512</u>

	Fair Value Measurements as of September 30, 2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds				
Foreign large blend	\$ 525,811	\$ -	\$ -	\$ 525,811
Large blend	866,089	-	-	866,089
Intermediate-term bond	649,520	-	-	649,520
Short-term bond	146,145	-	-	146,145
Other				
Montana Community Foundation	-	145,563	-	145,563
	<u>\$ 2,187,565</u>	<u>\$ 145,563</u>	<u>\$ -</u>	<u>\$ 2,333,128</u>

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 10. ENDOWMENT NET ASSETS**

The Association's endowment consists of numerous individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of September 30, 2013 and 2012, the Board of Directors had designated \$1,564,398 and \$1,647,642, respectively, of unrestricted net assets as a general endowment fund to support the mission of the Association. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

*Interpretation of Relevant Law*

The Board of Directors of the Association has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Association and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The expected total return from income and the appreciation of investments;
- (5) Other resources of the Association; and
- (6) The investment policies of the Association.



MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 10. ENDOWMENT NET ASSETS (CONTINUED)**

Endowment net asset composition by type of fund as of September 30, 2013 and 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2013:				
Board designated endowment	\$ 1,564,398	\$ -	\$ -	\$ 1,564,398
Donor endowment funds	-	117,291	488,936	606,227
Total Association endowments	1,564,398	117,291	488,936	2,170,625
Montana Community Foundation	-	54,949	100,938	155,887
	<u>\$ 1,564,398</u>	<u>\$ 172,240</u>	<u>\$ 589,874</u>	<u>\$ 2,326,512</u>
2012:				
Board designated endowment	\$ 1,647,642	\$ -	\$ -	\$ 1,647,642
Donor endowment funds	-	61,832	478,091	539,923
Total Association endowments	1,647,642	61,832	478,091	2,187,565
Montana Community Foundation	-	44,625	100,938	145,563
	<u>\$ 1,647,642</u>	<u>\$ 106,457</u>	<u>\$ 579,029</u>	<u>\$ 2,333,128</u>

The change in net asset composition by type of fund for the years ended September 30, 2013 and 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2011	<u>\$ 1,382,573</u>	<u>\$ -</u>	<u>\$ 468,091</u>	<u>\$ 1,850,664</u>
Investments return:				
Net appreciation	265,069	61,832	-	326,901
Total investment return	265,069	61,832	-	326,901
Contributions	-	-	10,000	10,000
Endowment net assets, September 30, 2012	1,647,642	61,832	478,091	2,187,565
Investments return:				
Net appreciation	167,756	61,459	-	229,215
Total investment return	167,756	61,459	-	229,215
Contributions	-	-	10,845	10,845
Appropriation for expenditure	(251,000)	(6,000)	-	(257,000)
Endowment net assets, September 30, 2013	1,564,398	117,291	488,936	2,170,625
Montana Community Foundation	-	54,949	100,938	155,887
Total net assets per statement of financial position, September 30, 2013	<u>\$ 1,564,398</u>	<u>\$ 172,240</u>	<u>\$ 589,874</u>	<u>\$ 2,326,512</u>

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 10. ENDOWMENT NET ASSETS (CONTINUED)**

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Association to retain as a fund of perpetual duration. Funds with deficiencies totaled \$7,463 and \$11,697 as of September 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of net permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve endowment capital. Funds shall be invested such that no less than 50% and no more than 70% of such funds shall be invested in equities, with the balance invested in fixed income securities, while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide a reasonable current rate of return.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Association targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Association has a policy of appropriating for distribution each year 5.0 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The Board of Trustees may approve special draws from the board-designated funds. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

MONTANA WILDERNESS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2013 and 2012

**NOTE 11. SELF INSURANCE AND UNEMPLOYMENT RESERVE**

Pursuant to State of Montana regulations applicable to non-profit organizations, the Association has elected to be self-insured on claims for unemployment compensation. During the fiscal year ended September 30, 2013, the Association incurred \$125 in claims for unemployment. During the fiscal year ended September 30, 2012, the Association did not incur any claims for unemployment. Management has not recorded a liability for claims incurred but not reported because management believes the amount of the estimate is not material to the financial statements taken as a whole.

The Association is part of a non-profit unemployment insurance cooperative, in which the Association pays funds into a pool to cover potential unemployment insurance costs. The Association maintains ownership of these funds, earns interest on these funds, and if the Association were ever to leave the cooperative, the Association would have access to these funds. The total amount of the Association's unemployment insurance reserve account at September 30, 2013 and 2012 was \$24,962 and \$23,812, respectively.

**NOTE 12. MORTGAGE PAYABLE**

The mortgage payable represents a permanent building loan provided by Valley Bank of Helena. The note, originally in the amount of \$525,000, is dated May 23, 2013, and matures May 23, 2033. Monthly installments are payable in the amount of \$3,155, including interest at a rate of 3.9% per annum. The building serves as collateral for the note.

Balance September 30, 2013		\$	519,707
Less current portion			<u>(17,907)</u>
			<u>\$ 501,800</u>

Maturities of the mortgage note in each of the next five years are as follows:

2014		\$	17,907
2015			18,618
2016			19,343
2017			20,138
2018			20,924
Thereafter			<u>422,777</u>
			<u>\$ 519,707</u>

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2013 and 2012

**NOTE 13. RELATED PARTY TRANSACTION**

The Association retained a member of its Board of Directors as a real estate broker in fiscal year 2013 during the purchase of its building in Helena. The board member contributed a portion of the sales commission as the buyer's credit to the Association in the transaction.

No amounts are due to or from the related parties at September 30, 2013.

**NOTE 14. COMMITMENTS AND CONTINGENCIES**

Involvement in legal action is inherent with the objectives of the Association. The Association is currently a co-plaintiff in various lawsuits regarding land resource issues. None of these lawsuits involve monetary damages which benefit the Association. Should any of the current legal activities result in a decision unfavorable to the Association, costs are expensed as incurred. Management believes that any possible loss would not be material.



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